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SUBJECT: WTO - KENYA'S PROTECTIONIST TAKE ON HONG KONG

REF: A. USTR/BJACKSON-NAIROBI/HOOVER/BAIN 12/02/05 E-MAIL

[1B](#). NAIROBI 4983

[1C](#). NAIROBI 4949 (NOTAL)

Sensitive-but-unclassified. Not for release outside USG channels.

[11](#). (SBU) SUMMARY: As Kenyan Trade officials prepare to depart for the WTO Ministerial in Hong Kong, it is clear that their main goal, and perhaps for most African countries, is to promote "flexibility" in market access, protect existing preferences (through new compensation measures), and ensure continued safeguards. It is therefore unlikely that Kenya at least, will push for a stronger EU offer on agriculture, or be forward-thinking on NAMA issues. The Kenyan officials were positive on better interaction between their WTO working groups and U.S. officials in the future. End summary.

[12](#). (U) Econ/C and Econoff met with WTO experts from Kenya's Ministry of Trade and Industry on December 5 to present ref A points and follow-up the November 30 meeting with the Ministry's Permanent Secretary (ref B). Representing Kenya was Elijah Manyara, Director for External Trade, and Trade Officers James Kuru (who covers Agriculture) and Michael Otieno (who covers NAMA issues). All three officials will likely be included in Kenya's Hong Kong delegation, which Manyara speculates will be 50-60 strong.

THOUGHTS ON AGRICULTURE

[13](#). (SBU) Manyara conceded that the EU's proposal on market access in agriculture is not ambitious enough and that the possible exemption of up to eight percent of product lines from tariff cuts was potentially problematic for African exporters. He also agreed that the EU was trying to divert attention from Ag to NAMA issues. He was, however, quite reluctant to speculate on how strongly Kenya or the Africa Group would publicly call for a better offer from the EU. Manyara said that Kenya's priorities are for "policy space" and "flexibility" on agriculture market access, because Kenyan tariffs on ag products are already 100% bound. According to Manyara, the Africa Group has submitted proposals on its three "priority areas": preferences,

flexibility, and safeguards.

¶4. (SBU) Expanding on what Manyara claims is the Africa Group's position, Kuru said that developing countries should have 20% of agriculture tariff lines available for protection as "special products." He added that the current situation is not flexible enough, and that even 100% tariff rates are not enough of a "cushion" for some products, citing sugar, wheat, dairy, and sorghum as possible targets for special protection. As for the U.S. proposal, Kura said that he would like to see USTR produce a report projecting the added value of exports for developing countries from significantly liberalized agriculture trade.

ON NAMA

¶5. (SBU) For Kenya, there is on-going concern about proposals requiring significant binding of tariffs for paragraph 6 countries, again because of a potential lack of flexibility. According to Otieno, Kenya's current average bound non-agricultural tariff rate is 58.4%, and the paragraph 6 requirement of 27.5% is too ambitious. [Note: Otieno speculated that USTR's assessment that Kenya has a 35% bound tariff rate most likely refers to applied tariffs. End note.]

¶6. (SBU) Otieno also asserted that the sectoral elimination proposals are problematic, noting in particular Kenya's concerns about textiles, footwear, fish, and electronics. He added that Kenya would like to have flexibility to identify its own list of possible sectors for elimination (zero rating), but that

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currently, the paragraph 16 text does not permit such flexibility. According to Manyara, Kenya would also like to see more flexibility on addressing non-tariff barriers (NTBs), but did not elaborate on this point.

¶7. (SBU) Expanding on Kenya's thoughts regarding "compensation," Manyara speculated that in order to maintain successful preferences programs for LDCs, there should be a new formula for applying "corrective coefficients" where lowering global tariffs weaken such preferences.

WORKING WITH TECHNICAL COMMITTEES

¶8. (U) When asked about Kenya's technical committees for WTO issues, Manyara explained that Kenya has a National Committee on WTO, with government officials and some private sector and academic representatives participating. Below the national committee are 14 topical subgroups, headed by Ministry of Trade officials, which include participation by civil society as well. Manyara added that that it is the Ministry's goal to have the subgroups become a better conduit of information and exchanges of ideas. He was positive about Econ/C's suggestion that in the future Embassy officers meet with the subgroups and on the idea that the Embassy might host DVCs between select subgroups and experts in the U.S. Manyara also requested U.S.-assistance to increase the subgroups' technical capacity.

COMMENT

¶9. (SBU) Former Trade Minister Kituyi has been an excellent interlocutor for the Embassy, and it is good news that he has agreed to lead the Hong Kong agriculture negotiations as a "Friend of the Chair," regardless of his Ministerial status in the coming days.

¶10. (SBU) However, based on our recent meetings with Ministry officials, we believe that Kenya, perhaps like most of Africa, will be unwilling to push aggressively (if at all) for the EU to improve its offer on agriculture because they still see freer trade in agriculture as more of a threat to domestic producers rather than as an opportunity for expanded exports. Kenya, and likely most African countries, is also concerned that lowered global tariffs will harm current access under U.S., EU, and other preference systems. Simply put, unless Kituyi can somehow change the dynamic, Kenya will go into Hong Kong fearful of - and resistant to - the kind of deep liberalization embodied in the U.S. agriculture proposal. It will therefore favor a lesser outcome, unless the deal struck somehow insulates it from all the risks inherent in trade liberalization. End Comment.

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